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BEFORE THE ARIZONA CORPORATION COMMISSION

MARC SPITZER
Chairman
JIM IRVIN
Commissioner
WILLIAM A. MUNDELL
Commissioner
JEFF HATCH-MILLER
Commissioner
MIKE GLEASON
Commissioner

In the matter of:)
)
TIERRA GROUP, a/k/a TIERRA GROUP)
PROPERTIES, a/k/a TIERRA GROUP)
COMPANIES, a/k/a TIERRA GROUP, INC.,)
10105 East Via Linda Drive, Suite 103-330)
Scottsdale, Arizona 85258)
)
PRESERVATION TRUST CORPORATION,)
a/k/a **PRESERVATION CORPORATION, a/k/a**)
PRESERVATION TRUST COMPANY,)
10105 East Via Linda Drive, Suite 103-330)
Scottsdale, Arizona 85258)
)
PARTNERSHIP PRESERVATION TRUST,)
a/k/a **PARTNERSHIP PRESERVATION**)
CORPORATION LIMITED PARTNERSHIP,)
10105 East Via Linda Drive, Suite 103-330)
Scottsdale, Arizona 85258)
)
CATERPILLAR FOUNDATION)
PROPERTIES, a/k/a CATERPILLAR)
FOUNDATION PROPERTIES LIMITED)
PARTNERSHIP,)
10105 East Via Linda Drive, Suite 103-330)
Scottsdale, Arizona 85258)
)
RENE L. COUCH, a married man)
10727 East Palm Ridge Drive)
Scottsdale, Arizona 85259)
)
TERRY COUCH, a married woman)
10727 East Palm Ridge Drive)
Scottsdale, Arizona 85259,)
)
Respondents.)
)

DOCKET NO. S-03437A-03-0000

**NOTICE OF OPPORTUNITY FOR
HEARING REGARDING PROPOSED
ORDER TO CEASE AND DESIST,
ORDER FOR RESTITUTION, ORDER
FOR ADMINISTRATIVE PENALTIES,
AND FOR OTHER AFFIRMATIVE
ACTION**

NOTICE: EACH RESPONDENT HAS 10 DAYS TO REQUEST A HEARING

EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER

The Securities Division (“Division”) of the Arizona Corporation Commission (“Commission”) alleges that Respondents Tierra Group, a/k/a Tierra Group Properties, a/k/a Tierra Group Companies, a/k/a Tierra Group Inc. (“TIERRA”), Preservation Trust Corporation, a/k/a Preservation Corporation, a/k/a Preservation Trust Company (“PRESERVATION”), Partnership Preservation Trust, a/k/a Partnership Preservation Corporation Limited Partnership (“PARTNERSHIP PT”), Caterpillar Foundation Properties, a/k/a Caterpillar Foundation Properties Limited Partnership (“CATERPILLAR”), and Rene L. Couch (“COUCH”) have engaged in acts, practices, and transactions which constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* (“Securities Act”).

I.

JURISDICTION

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

II.

RESPONDENTS

2. TIERRA, whose last known business address was 10105 East Via Linda Drive, Suite 103-330, Scottsdale, Arizona, is an Arizona corporation involved in local land speculation, investment and development. In connection with these activities, TIERRA engaged in the solicitation of investment funds for the alleged purpose of acquiring parcels of undeveloped real estate west of Phoenix, Arizona, in an area near the White Tank Mountains.

3. PRESERVATION, whose last known business address was also 10105 East Via Linda Drive, Suite 103-330, Scottsdale, Arizona, is an Arizona corporation involved in local land speculation, investment and development. In connection with these activities, PRESERVATION engaged in the solicitation of investment funds to support the land speculation activities of affiliated companies and partnerships, and also participated in the management, control, and disbursement of investment funds raised in support of these same operations.

1 4. PARTNERSHIP PT, whose last known business address was also 10105 East Via
2 Linda Drive, Suite 103-330, Scottsdale, Arizona, is an Arizona partnership involved in local land
3 speculation, investment and development. In connection with these activities, PARTNERSHIP PT
4 engaged in the solicitation of investment funds from partners for the alleged purpose of acquiring parcels
5 of undeveloped real estate west of Phoenix, Arizona, in an area near the White Tank Mountains.

6 5. CATERPILLAR, whose last known business address was 10105 East Via Linda Drive,
7 Suite 103-330, Scottsdale, Arizona, is an Arizona limited partnership purportedly involved in local land
8 speculation, investment and development. In connection with these activities, CATERPILLAR engaged
9 in the solicitation of investment funds from investors for the alleged purpose of buying parcels of real
10 estate in the greater Phoenix, Arizona area.

11 6. COUCH, whose last known address was 10727 East Palm Ridge Drive, Scottsdale,
12 Arizona, was the founder and president of TIERRA and PRESERVATION, the founder and sole
13 general manager of PARTNERSHIP PT, and the founder and sole general partner of CATERPILLAR.
14 In these capacities, COUCH raised investment funds and made speculative real estate acquisitions
15 throughout the metro Phoenix area. COUCH also coordinated the financial dealings of these multiple
16 entities, exercising ultimate control over the entities' banking activities.

17 7. Terry Couch ("MS. COUCH"), whose last known address was 10727 East Palm Ridge
18 Drive, Scottsdale, Arizona, was the spouse of COUCH during the time period in which COUCH formed
19 various real estate investment entities, raised substantial investment funds, and acquired various parcels of
20 real estate in Maricopa County, Arizona. In her spousal capacity, MS. COUCH maintained control over
21 investment funds from one or more of the aforementioned entities' bank accounts on multiple occasions.
22 MS. COUCH is joined in this action under A.R.S. § 44-2031(C) for the purpose of determining the
23 liability of the marital community.

24 8. At all times relevant hereto, COUCH and MS. COUCH were acting for their own
25 benefit, as well as for the benefit, or in furtherance of, the marital community.
26

III.

10. COUCH, in his varying capacities as president and managing partner, has been operating a multitude of real estate investment programs as far back as 1987. During this time, COUCH and his agent have raised well over five million dollars in investment funds through the sale of such securities as limited partnership “units” and real estate “bridge notes.”

12. The investment proceeds from limited partners were periodically deposited into one or more of TIERRA'S corporate bank accounts. As early as 1988, COUCH began using funds from one particular TIERRA corporate account to meet the quarterly payments on a universal life insurance policy for the benefit of a COUCH trust. These payments, reaching into the tens of thousands of dollars, were not disclosed in connection with the real estate investment programs promoted and managed by COUCH.

1 14. COUCH asked Cunningham to assist in bringing new investors into one or more of
2 COUCH'S new real estate limited partnerships. As an incentive to gain Cunningham's participation,
3 COUCH promised Cunningham a sales commission of 18.57% for selling all forty units in one of
4 COUCH'S limited partnership, West Valley Equity Partners II ("West Valley").

5 15. Cunningham subsequently agreed to sell COUCH'S membership units in West Valley,
6 ultimately raising \$112,000 for this particular partnership. In the offering documents associated with this
7 real estate investment program, COUCH was again listed as the sole managing partner. There were,
8 however, no disclosures as to the 18.57% sales commission involved in the procurement of limited
9 partners for West Valley.

10 16. COUCH had no prior associations or dealings with the West Valley investors at the
11 time of the investments, and he failed to provide West Valley investors access to either the partnership's
12 records or its financial affairs. Investors received information about their West Valley investments
13 through periodic letters known as "Tierragrams."

14 17. By 1990, COUCH was affiliated with at least a dozen partnerships; however, several of
15 these limited partnerships had been suffering financial set-backs and other business-related problems.
16 On account of these developments, COUCH declared that all his partnerships would be consolidated
17 into one all-encompassing partnership known as PARTNERSHIP PT.

18 18. As detailed in a June 1990 letter to his limited partners, COUCH explained the
19 consolidation of the following limited partnerships into PARTNERSHIP PT: Plumlee; Tierra Verde;
20 KLB; Helms; RRR & D; Boreyko, GWP, Johnson & Thomas, SV 40, MB, West Valley, Cortez, JRH,
21 Eye West, One Iron, Antenucci, Lawrence, and BLAC limited partnerships.

22 19. In connection with this consolidation, COUCH informed the various partners that they
23 would still have to make annual dues payment as described under their original limited partnership
24 agreements if they were to remain as partners in the new PARTNERSHIP PT.

25 20. COUCH also explained that PARTNERSHIP PT would be taking over the "promising"
26 Buckeye Airport property as the new partnership's real estate asset, a property consisting of five

1 separate parcels that the consolidated limited partnerships of JRH, Eye West, One Iron, Antenucci,
2 Lawrence, and BLAC had previously bought from Alder Farms in June, 1990.

3 21. In September 1990, COUCH acquired the five Alder Farms parcels on behalf of
4 PRESERVATION PT for approximately \$543,000 each. COUCH financed these acquisitions by
5 paying approximately \$100,000 in additional earnest money and closing costs and by assuming, from the
6 above-mentioned partnerships, five \$394,000 Alder Farms promissory notes and five \$126,000
7 TIERRA notes.

8 22. By August, 1991, PARTNERSHIP PT had title over these five Buckeye properties and
9 the properties had been recorded in the partnership's name. By mid 1992, however, PARTNERSHIP
10 PT had defaulted on the parcels' mortgage payments, and in July, 1992, Alder Farms foreclosed on the
11 five properties. Alder Farms reclaimed title to the properties in August, 1992.

12 23. Shortly thereafter, in September 1992, PARTNERSHIP PT announced to its partners
13 that it had acquired a new and preferable parcel of property in Buckeye, Arizona at the intersection of
14 McDowell and Dean Road (the "McDowell Property"). The McDowell Property was purchased from
15 Citibank, and consisted of four parcels of land totaling approximately 149 acres.

16 24. Despite receiving funding for the McDowell Property through PARTNERSHIP PT
17 partner contributions, and subsequently holding the property out as PARTNERSHIP PT'S prime real
18 estate asset, COUCH nevertheless recorded the property in the name of PRESERVATION.

19 25. COUCH has since represented that the property was purchased in the name of
20 PRESERVATION rather than PARTNERSHIP PT for the single reason that the seller of the
21 McDowell Property, Citibank, preferred to transact business with a corporation over a partnership.

22 . . .

23 26. In connection with the aforementioned land acquisitions, COUCH also began engaging
24 in the sale of promissory notes to both existing limited partners and outside investors. As early as 1991,
25 COUCH started issuing "bridge loan" promissory notes through two of his real estate entities - TIERRA
26

1 and PRESERVATION. These notes routinely offered investors an approximate 10 to 14 per cent rate
2 of return per annum, and the maturity dates on these notes regularly ranged from 3 to 5 years.

3 27. COUCH often tapped his former limited partnership sales agent, Cunningham, for
4 assistance in selling these notes. Meeting on an almost daily basis, COUCH engaged Cunningham to
5 pitch these promissory notes to his circle of insurance clients, many of who had already been persuaded
6 to invest in one or more of the original limited partnerships.

7 28. COUCH offered Cunningham a substantial commission to sell the “bridge loan” notes
8 issued out of PRESERVATION and TIERRA; this commission was never discussed with the note
9 investors before or at the time of their investments.

10 29. For orchestrating or otherwise participating in these promissory note sales, COUCH
11 also periodically withdrew a \$5,000 fee from the investment proceeds. This skimming practice was
12 similarly withheld from investors.

13 30. The purported objective behind COUCH’S sale of bridge notes was to meet ongoing
14 real estate payment obligations, to fund the purchase of available limited partnership units in
15 PARTNERSHIP PT, and to pay accruing management fees prior to the time that PARTNERSHIP
16 PT’S asset could be liquidated. In fact, the investment funds acquired through the sale of these notes
17 were soon designated for ulterior purposes, discussed *infra*.

18 31. In 1994, PRESERVATION filed for Chapter 11 bankruptcy, attempting to re-organize
19 its mounting liabilities on the McDowell Property. During the course of this bankruptcy, Citibank filed a
20 motion to lift the automatic stay and foreclose upon the McDowell Property that the bank had sold to
21 PRESERVATION just two years earlier.

22 . . .

23 32. Citibank and PRESERVATION ultimately reached a settlement whereby the bank
24 agreed to accept \$245,000 as payment in full for the remaining balance of approximately \$345,000 due
25 on the McDowell Property. In November, 1994, PRESERVATION satisfied the remaining amounts
26 due under this agreement by taking out a \$190,000 loan from Stardust Development (“Stardust”).

1 33. With the McDowell Property no longer in jeopardy of foreclosure, PRESERVATION
2 withdrew its bankruptcy filing. It did, however, still have a \$190,000 note to satisfy from Stardust with
3 an annual interest rate of 23 per cent.

4 34. By 1995, PRESERVATION had a promissory note obligation in favor of Stardust for
5 approximately \$190,000, and both TIERRA and PRESERVATION had a number of bridge loans
6 coming due to individual investors. By 1996, COUCH and his companies owed investors several
7 hundred thousand dollars in promissory note debt.

8 35. With the financial obligations once again mounting, PARTNERSHIP PT'S single asset -
9 the McDowell Property - remained unsold. This situation was exacerbated by the fact that hundreds of
10 limited partners from multiple limited partnerships were now dependent upon just one piece of real
11 estate. As a result of these many equitable interests, the property had to command a considerable sales
12 price for either COUCH or the limited partners to recognize a profit from such a sale.

13 36. In early 1997, with the property still on the market, COUCH resolved to transfer
14 ownership of a segment of the McDowell Property over to a land broker and to a local consultant to
15 satisfy outstanding debt obligations. To effect this plan, COUCH deeded a roughly 10 acre parcel of
16 the McDowell Property over to an investment group made up of Thora, L.L.C.,¹ and Joseph
17 Blackburn in November, 1997.

18 37. Although the McDowell Property was later appraised by Greg Vogel at \$30,000 per
19 acre, this 10 acre parcel was purportedly conveyed to Thora, L.L.C. and Mr. Blackburn to satisfy a
20 prior \$30,000 debt obligation for brokerage and consulting fees.²

24 ¹ The managing member of Thora, L.L.C., is Greg Vogel, a commercial land dealer who was engaged by
25 COUCH to act as the real estate broker for the McDowell Property. Mr. Vogel has been an
acquaintance of COUCH since at least the mid 1990's.

26 ² The 10 acre parcel conveyed to the two outside entities is recorded in the Maricopa County
Recorder's Office as Parcel No. 502-61-002J.

1 38. At approximately the same time, COUCH surreptitiously deeded the remainder of the
2 McDowell Property from PRESERVATION to himself and his wife. COUCH officially recorded his
3 personal ownership over the remaining McDowell Property on December 9, 1997.

4 39. Both COUCH'S self-conveyance and the transfer of the 10 acre parcel to outside
5 parties occurred without the requisite authority or disclosures, and without other PARTNERSHIP PT
6 partners' knowledge or consent. The type of consideration tendered in these particular transactions,
7 and the party or parties receiving such consideration, was similarly not disclosed.

8 40. COUCH subsequently explored options of mortgaging the remaining parcels of land for
9 access to additional funds. Ultimately, COUCH was successful in obtaining a \$490,000 mortgage on
10 the McDowell Property from a syndicate made up of SMT Investors Limited Partnership ("SMT"),
11 David and Christine Neal (the "Neals"), and Arizona Land Advisors.³ This non-recourse debt was
12 incurred by COUCH and MS. COUCH on or about September 17, 1999.

13 41. This material dissipation of PARTNERSHIP PT equity was unauthorized both under
14 PARTNERSHIP PT'S offering documents and under the partnership's operating agreement.

15 42. COUCH ultimately borrowed funds from SMT, the Neals and AZ Land Advisors on
16 two additional occasions, drawing a \$162,000 note on the McDowell Property on or about September
17 14, 2000, and adding another \$102,177 to the total outstanding debt on June 12, 2001. The final
18 \$102,000 loan was made payable to COUCH despite the fact that the McDowell Property had already
19 been deeded back to PRESERVATION the prior year, in October, 2000.

20 43. In total, the principal amount of indebtedness incurred on the McDowell Property by
21 COUCH from 1999 to 2001 amounted to approximately \$760,000. In addition to this principal, a
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25 ³ The president of Arizona Land Advisors is the familiar Greg Vogel, the same individual whose
26 involvement with the McDowell Property had already ranged from receiving a portion of the property for
past services to acting as the commercial broker for the McDowell Property on behalf of
PRESERVATION.

1 considerable amount of interest has been accruing on the debt at rates ranging as high as 20 per cent per
2 annum.⁴

3 44. COUCH used these loan proceeds for various undisclosed purposes, including personal
4 expenditures and for the infusion of capital into COUCH'S personal nutritional supplement business
5 known as Infinity. Other funds were funneled to the personal bank accounts of Ms. COUCH. Still
6 other funds were used to satisfy long-standing promissory note debt obligations to various individual
7 investors. In another instance associated with the initial \$490,000 loan, COUCH remitted a \$25,000
8 sum directly back to Arizona Land Advisors, one of the three lenders participating in the original loan
9 transaction.

10 45. Even while ownership of the McDowell Property was being deeded over to COUCH
11 and MS. COUCH, COUCH was still actively peddling new "bridge loan" promissory notes for
12 TIERRA and PRESERVATION. Using the McDowell Property as collateral for these notes,
13 COUCH, often through his agent Cunningham, was still offering newly issued promissory notes to
14 existing note holders to now meet the financial obligations of prior outstanding notes.

15 46. In fact, the proceeds raised from COUCH'S sale of promissory notes through the late
16 1990's were used almost exclusively to satisfy the debt obligations of prior note holders. On dozens of
17 occasions, monies raised from the sale of TIERRA or PRESERVATION promissory notes were
18 immediately transferred to other bank accounts for use in satisfying prior note obligations. Often, monies
19 raised through the sale of these notes were transferred to other investors on the same or very next day.

20 47. Investors who purchased these promissory notes thought they were investing in bridge
21 loan notes to finance the end stages of real estate acquisitions and sales. In reality, these funds were
22 being transferred to other investors in a classic Ponzi operation.

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26 ⁴ The original deed of trust (short form) for the first \$490,000 loan specified an annual interest rate of
12% per annum. It's unclear from the recorded documentation how the 20% per annum interest rate was
ultimately imposed and retroactively assessed.

1 48. In approximately 1998, COUCH also began issuing CATERPILLAR promissory notes
2 to still other investors. The offering documents associated with this note offering represented that these
3 investment funds were to be used to purchase real estate for subsequent resale; in fact, these monies
4 were used in an identical fashion to the previous PRESERVATION and TIERRA note proceeds: the
5 CATERPILLAR note proceeds were again immediately transferred to meet the debt obligations of
6 other investors holding PRESERVATION and/or TIERRA notes.

7 49. CATERPILLAR note proceeds were transferred within days to intermediary accounts
8 that would quickly remit the funds to meet outstanding debt obligations to prior note holders. None of
9 the CATERPILLAR note proceeds were used to purchase real estate or any other form of property,
10 and investors were never informed that their investment monies were simply being used to satisfy prior
11 corporate debt obligations.

12 50. COUCH and agent Cunningham continued to sell promissory notes issued by one or
13 more of TIERRA, PRESERVATION, or CATERPILLAR until late 2000, when the promissory note
14 sales operations were finally discontinued. COUCH subsequently defaulted on the outstanding notes.

15 51. In October, 2000, COUCH and MS. COUCH deeded the remaining McDowell
16 Property back to PRESERVATION, now consisting of one less parcel of land. In re-acquiring the
17 McDowell Property, PRESERVATION also inherited COUCH'S mortgage liability – a loan now
18 secured against the property for roughly \$1,074,000.

19 52. Unlike COUCH, PARTNERSHIP PT investors were not privy to, nor did they derive
20 any personal gain from, the now substantially diminished equity in the partnership's single real estate
21 asset.

22 53. Once again under PRESERVATION'S control, the McDowell Property remained on
23 the open market through the next year. By 2001, both note holders and the many PARTNERSHIP PT
24 partners had yet to recoup a return on their investments. Concerned over defaulting notes and the lack
25 of movement on the property supporting the limited partners' interests, one or more of the investors
26 ultimately filed a Petition for Involuntary Bankruptcy against the RESPONDENTS.

1 in the property, and that the property was already securing dozens of prior note
2 holders;

3 c) Failing to disclose to investors that COUCH was receiving proceeds from the
4 sale of promissory notes for his own personal expenditures;

5 d) Failing to disclose to investors that COUCH had conveyed the investors'
6 property to COUCH and MS. COUCH in 1997, and had subsequently
7 borrowed almost \$800,000 against the property in non-recourse loans;

8 e) Failing to disclose to investors that COUCH had misappropriated funds from
9 these non-recourse loans for personal benefit;

10 f) Failing to disclose to investors that RESPONDENTS were paying a sizeable
11 sales commission to at least one sale agent for his efforts in the sale of
12 RESPONDENTS' various partnership units and corporate promissory notes;

13 g) Failing to disclose that neither the aforementioned securities nor the
14 RESPONDENTS themselves were registered with the Division as required by
15 law.

16 63. This conduct violates A.R.S. § 44-1991.

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19 VII.

20 REQUESTED RELIEF

21 The Division requests that the Commission grant the following relief against RESPONDENTS:

22 1. Order RESPONDENTS to permanently cease and desist from violating the Securities
23 Act pursuant to A.R.S. § 44-2032;

24 2. Order RESPONDENTS to take affirmative action to correct the conditions resulting
25 from their acts, practices or transactions, including a requirement to make restitution pursuant to A.R.S. §
26 44-2032;

3. Order RESPONDENTS to pay the state of Arizona administrative penalties of up to five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;

4. Order that the marital community of COUCH and MS. COUCH be subject to any order of restitution, rescission, administrative penalties, or other appropriate affirmative action pursuant to A.R.S. § 25-215; and

5. Order any other relief that the Commission deems appropriate.

VIII.

HEARING OPPORTUNITY

RESPONDENTS and/or RESPONDENT SPOUSE may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. R14-4-306. **If a RESPONDENT requests a hearing, the RESPONDENT must also answer this Notice.** A request for hearing must be in writing and received by the Commission within 10 business days after service of this Notice of Opportunity for Hearing. Each RESPONDENT must deliver or mail the request to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007. A Docket Control cover sheet must accompany the request. A cover sheet form and instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at www.cc.state.az.us/utility/forms/index.htm.

If a request for a hearing is timely made, the Commission shall schedule the hearing to begin 20 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the parties, or ordered by the Commission. If a request for a hearing is not timely made, the Commission may, without a hearing, enter an order against each RESPONDENT granting the relief requested by the Division in this Notice of Opportunity for Hearing.

Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting Shelly M. Hood, Executive Assistant to the Executive Secretary, voice phone number 602/542-3931, e-mail shood@cc.state.az.us. Requests should be made as early as possible to allow time to arrange the accommodation.

IX.

ANSWER REQUIREMENT

Pursuant to A.A.C. R14-4-305, if any RESPONDENT or RESPONDENT SPOUSE requests a hearing, RESPONDENT or RESPONDENT SPOUSE must deliver or mail an Answer to this Notice of Opportunity for Hearing to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007, within 30 calendar days after the date of service of this Notice of Opportunity for Hearing. A Docket Control cover sheet must accompany the Answer. A cover sheet form and instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at www.cc.state.az.us/utility/forms/index.htm.

Additionally, RESPONDENTS and/or RESPONDENT SPOUSE, or their attorney(s), must serve the Answer upon the Division. Pursuant to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix, Arizona, 85007, addressed to Jamie Palfai, Esq.

The Answer shall contain an admission or denial of each allegation in this Notice, as well as the original signature of either the answering RESPONDENT(S) and/or RESPONDENT SPOUSE or their attorney(s). A statement of a lack of sufficient knowledge or information shall be considered a denial of an allegation. An allegation not denied shall be considered admitted.

When RESPONDENTS and/or RESPONDENT SPOUSE intend in good faith to deny only a part or a qualification of an allegation, RESPONDENTS and/or RESPONDENT SPOUSE shall specify that part or qualification of the allegation and shall admit the remainder. RESPONDENTS and/or RESPONDENT SPOUSE waive any affirmative defense not raised in the answer.

The officer presiding over the hearing may grant relief from the requirement to file an Answer for good cause shown.

Dated this _____ day of _____, 2003.

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Mark Sendrow
Director of Securities